

OCT 14 1936

The MANAGEMENT REVIEW

A.M.A.

Volume XXV, No. 10

October, 1936

In This Issue

Current Comment

Why Are They Obsolete? An editorial from the *New York Sun*

The Management Index

Tests of Monetary Soundness. *Banking.*

Property Life Insurance. *The Spectator.*

Post Haste. *Graphic Arts Buyer.*

Labor Standards for Government Contract Work. *Labor Information Bulletin.*

Expense Analysis on 263 Business Cars. *American Business.*

Future Trends in Consumer Demand. *Barron's.*

And others.

Survey of Books for Executives

Group Selling by 100,000 Retailers, by Gordon C. Corbaley.
Reviewed by Alvin E. Dodd.

Administration of Workmen's Compensation, by Walter F. Dodd. *Reviewed by William C. Archer.*

Successful Direct-Mail Methods, by John K. Crippen. *Reviewed by Irving E. Chase.*

And others.

Published Monthly by the

AMERICAN MANAGEMENT ASSOCIATION

330 West 42nd Street

New York, N. Y.

AMERICAN MANAGEMENT ASSOCIATION

Chairman of the Board—JAMES O. MCKINNEY, *Chairman*, Marshall Field & Company, Chicago, Ill.
Chairman of the Executive Committee—ARTHUR H. YOUNG, *Vice-President in Charge of Industrial Relations*, United States Steel Corporation, New York, New York.

Chairman Finance Committee—HAROLD V. COSS, *Manager, Industrial Department*, Ford, Bacon & Davis, Inc., New York, New York.

Treasurer—JAMES L. MARDEN, *Third Vice-President*, Metropolitan Life Insurance Company, New York.
President—ALVIN E. DODD, 330 W. 42nd Street, New York, New York

VICE-PRESIDENTS IN CHARGE OF DIVISIONS

Finance and Accounts—MARE M. JONES, *President*, Akron Belting Company, New York, New York.
Office Management—GEORGE L. HARRIS, *Manager of Sales Research and Methods*, Addressograph-Multigraph Corporation, Cleveland, Ohio.

Personnel—THOMAS G. SPATES, *Director of Industrial Relations*, General Foods Corporation, New York.
Production—EARL M. RICHARDS, *Assistant to Vice-President in Charge of Operations*, Republic Steel Corporation, Cleveland, Ohio.

Industrial Marketing—J. H. MACLEOD, *Vice-President, Sales Division*, The Hinde & Dauch Paper Co., Sandusky, Ohio.

Consumer Marketing—H. W. DODGE, *Vice-President*, The Texas Company, New York, New York.
Insurance—T. W. DINLOCKER, *Secretary and Treasurer*, SKF Industralia, Inc., Philadelphia, Pa.
President of the Institute of Management—CARLA M. BROULOW, The Calco Chemical Company Inc., Bound Brook, New Jersey.

VICE-PRESIDENTS AT LARGE

W. J. DONALD, *Managing Director*, National Electrical Manufacturers Association, New York, New York.
W. A. GRIFFIN, *Assistant Vice-President*, American Telephone and Telegraph Company, New York.
THOMAS R. JONES, *President*, American Type Founders, Incorporated, Elizabeth, New Jersey.
EARL WHITEHORNE, *Assistant Vice-President*, McGraw-Hill Publishing Company, Inc., New York.
IRWIN D. WOLF, *Vice-President*, Kaufmann Department Stores, Inc., Pittsburgh, Pennsylvania.
AUGUSTE RICHARD, *President*, The Spool Cotton Company, New York, New York.

PAST PRESIDENTS

W. W. KINCAID, *Chairman of the Board*, The Spirella Company, Inc., Niagara Falls, New York.
SAM A. LEWISOHN, *Vice-President*, Miami Copper Company, New York, New York.
F. L. SWEETSER, *Partner*, Stevenson, Jordan & Harrison, New York, New York.
C. S. CHING, *Director of Industrial and Public Relations*, United States Rubber Company, New York.
W. J. GRAHAM, *Vice-President*, The Equitable Life Assurance Society of the United States, New York.

BOARD OF DIRECTORS

Term Ending 1937

M. J. BEIRN, *Vice-President and General Manager of Sales*, American Radiator & Standard Sanitary Corporation, New York, New York.
CLARENCE G. STOLL, *Vice-President*, Western Electric Company, Inc., New York, New York.
MILES E. ROBERTSON, *General Manager*, Oneida Community, Ltd., Oneida, New York.
GLENN GARDINER, *Forstmann Woolen Company*, Passaic, New Jersey.
C. J. HICKS, *Industrial Relations Counselors, Inc.*, New York, New York.
CHAPIN HOSKINS, *Managing Editor*, *Forbes*, New York, New York.
EDGAR KORAK, *Vice-President*, Lord & Thomas, New York, New York.
JOHN A. STEVENSON, *Vice-President*, The Penn Mutual Life Insurance Company, Philadelphia, Pa.
L. C. STOWELL, *Executive Vice-President and Director*, Underwood Elliott Fisher Company, New York.

Term Ending 1938

STANLEY F. FARWELL, *President*, Business Research Corporation, Chicago, Illinois.
STANLEY P. FISHER, *Assistant to Works Manager*, American Hard Rubber Company, New York, N. Y.
W. G. MARSHALL, *Vice-President*, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa.
HADAR ORTMAN, *President*, United Wall Paper Factories, Inc., Jersey City, New Jersey.
H. B. BERGEN, *Director of Industrial Relations*, The Procter & Gamble Company, Ivorydale, Ohio.
GEORGE E. ROGERS, *Insurance Manager*, Robert Gair Company, New York, New York.
I. O. ROYSE, *Manager, Office Production*, Ralston Purina Company, St. Louis, Missouri.
ERNEST F. RUMPF, *Secretary-Comptroller*, F. C. Huyck & Sons, Albany, New York.
EDMOND E. LINCOLN, *Economist*, E. I. du Pont de Nemours & Company, Wilmington, Delaware.

Term Ending 1939

L. R. BOULWARE, *Vice-President and General Manager*, Carrier Corporation, Newark, New Jersey.
T. G. GRAHAM, *First Vice-President*, B. F. Goodrich Company, Akron, Ohio.
THOMAS J. HARTY, *Vice-President and General Sales Manager*, North American Cement Corporation, New York, New York.
H. H. LEONARD, *Vice-President and General Manager*, Consolidated Packaging Machinery Corporation, Buffalo, New York.
RALPH KELLY, *Vice-President*, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa.
JAMES S. KEMPER, *President*, Lumbermens Mutual Casualty Company, Chicago, Illinois.
J. KINDLERBERGER, *Chairman of the Board*, Kalamazoo Vegetable Parchment Company, Kalamazoo, Mich.
C. J. STILWELL, *Vice-President*, The Warner & Swasey Company, Cleveland, Ohio.
DR. FRANK M. SURFACE, *In Charge of Research Sales Department*, Standard Oil Company of New Jersey, New York, New York.
C. A. TATTERSALL, *Secretary*, Niagara Hudson Power Corporation, New York, New York.

Editor—JAMES O. RICE, 330 West 42nd Street, New York, New York.

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXV, No. 10, October, 1936. Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Copyright, 1936, American Management Association.

The MANAGEMENT REVIEW

OCTOBER, 1936

For the Sake of Your Gestion

SURPRISED WAS the AMA recently to find that it had furnished the inspiration for an editorial in the *New York Sun*. More accurately, a folder on obsolete words issued by the AMA did the trick. While press agents go in for man-bites-dog tactics to get the papers' attention, the AMA merely publishes a pamphlet and cracks the editorial page!

IN ITS EDITORIAL the *Sun* did tricks with our folder. It drew many lessons from the obsolete words, and believing that the editorial would be interesting to *Management Review* readers we have reprinted it in this issue. We have the thought that it will prompt readers to consider the possibilities of their "gestion" (archaic for management) growing obsolete. The original folder very frankly had that as its objective. The editorial dilution brings home the thought in a more indirect, but no less pointed fashion.

WE WERE SOMEWHAT jolted this month to find signs of the youth movement scattered through the magazines. The "Youth's Day" type of article was very much in evidence. It's the kind of writing that is expected to give those who are "beginning life at forty" an unpleasant sensation. Just to show the trend of the times, we abstracted one of the best articles (What Youth Needs For Business, Page 304). One of the great epigrammatists of

the day has summed up the situation with the comment: "Youth is a marvelous thing, too bad it's wasted on children."

HOW'S THE HISTORY of your business. We don't mean the history of the last few years, but the history from the beginning. The Dennison Manufacturing Company (Footprints of the Past, Page 302) has undertaken to compile its history from 1844; the material has been condensed and all executives read it. Then they have a better perspective for forming new policies.

NOW WITH SEPTEMBER gone, manufacturers will want to know more about the Walsh-Healy Act which went into effect on September 28. It provides, in case you have forgotten, that certain prescribed labor standards must be adhered to in the manufacture of goods to be sold to the Government. The gist of it is on page 311 (Labor Standards for Government Contract Work).

HOW ARE CONSUMERS' tastes going to run in the prosperity to come? It's predicted (Future Trends in Consumer Demand, Page 319) that buying will show some flip-flop tendencies. Demand for some commodities will increase, and fall away for others. Alert business men will be on the watch for changes in consumer attitudes as the severity of the depression wanes. Flexibility is to be prized.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

Current Comment

WHY ARE THEY OBSOLETE?

"GOOD words once—buried in the dictionary now." So reads the bold-face epitaph over a diverting list of obsolete and archaic words set forth in an ingenious folder issued by the American Management Association of New York in furtherance of a new campaign for enlarged membership. A far-flung federation of industrial and commercial corporations and executives, with members in twenty-five countries, the association's function is the promotion of better business management and techniques throughout the world. Its present preachment is designed to show by analogy with what happens in language that obsolescence is an ever-present danger in business and that the surest way for business leaders to avert it is by affiliation with the large group which, through its constant checking and study of the causes of obsolescence, is best equipped to insure captains of industry against its pitfalls.

There is a surprisingly intriguing quality about most of the ancient words cited in the association's folder which not only adds appreciably to the appeal of the printed piece, but causes one to wonder whether, in this day of rapidly growing incorporation into the language of vigorous and colorful new terms and expressions, some of these and similar long-discarded words may not be drafted for further useful service into our daily converse and literature.

For example, "losenger," obsolete for "flatterer, deceiver," and "snattock," for "remnant," both have an undeniable allure. It is conceivable that either, given a little judicious promotion, might easily stage a twentieth-century renaissance. "Damarret," for "ladies' man," and "bouge," for "wallet," fall in much the same category. So also do some of the other hoary outcasts of English speech which have been dusted off and placed on exhibition, among them being "fuzzle," for "confuse";

"slubber," for "botch"; "pentis," for "penthouse"; "gestion," for "management"; and "sneap," for "scold."

In the heyday of their lusty youth a number of these superannuated and long-forgotten words played worthy rôles on the broad stage of English diction. Chaucer frequently made use of "losengere," adapted from the old French "losengeour," in "The Canterbury Tales" and in "The Romaunt of the Rose." A passage from the latter reads: "Hir court hath many a losengere, and many a traytor envious." Caxton, a prolific translator of French legends as well as the first English printer, in 1484 employed in one of his works not only "losengers," but also "losangerye," meaning "deceit"; while Holinshed nearly a century later also told of "losengers" in his famous "Chronicles."

"Sneap," whose lineage goes back to the old Norse, was used by Shakespeare in "Lucrece" in its early meaning of "to nip or pinch," as by frost. In the sense of "check, chide or scold," the word was in good common usage down to about the beginning of our civil war days. "Bouge," of old French ancestry, and still earlier from the Latin, is defined by the New English Dictionary as "a wallet or bag, especially of hide; a skin bottle." Wiclif in his famous Bible employed the word in this sense in his rendering of Psalms xxiii, 7: "He gaderith togidere the watris of the see as in a bowge." Chapman, first to translate Homer into English verse, made use of "gestion," derived from a Latin word meaning "to carry on," and Thomas Jefferson, in his first year as President, wrote of "the gestion of affairs which office made incumbent" on him.

Should the reader wish to con a sample sentence introducing some of these quaint and curious words of far yesteryear, and demonstrating how easily and naturally they lend themselves to the embellishment of our modern English diction, we submit the following, which is not without its bearing on the troubled times in which we live:

"The losenger has so directed the gestion of this country of ours that our national bouge has been reduced to a mere snattock of its former generous proportions, and most thoughtful Americans are vastly fuzzled as to what the future may have in store for our imperiled nation."

Reprinted from an editorial in the New York Sun.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Business Situation Summarized

Business activity during July did not experience the normal seasonal slackening. The gains in the past few months in manufacturing, construction, employment, freight traffic, and retail trade have generally been maintained or extended, when proper allowance is made for seasonal variation. The major current indicators of consumer income—payrolls and cash farm income—recorded further gains in June, and these have been augmented by the unusual increase in disbursements of government funds as a result of the cashing of bonus bonds distributed in June.

The indexes for the major industries still show considerable dispersion from the average; the durable-goods industries, which as a group are still relatively depressed, have made substantial progress this year, and the improvement is continuing.

Among consumer-goods industries, the principal development has been in cotton textiles. Rapidly mounting sales have served to prevent the usual summer slackening in production. Rayon output has been maintained near ca-

capacity levels, while silk goods output remains low.

The principal adverse factor in the present situation, aside from the continuing large volume of unemployment, is the drought which, with the exception of the one in 1934, is described by the Department of Agriculture as the worst in history.

Stock-price "averages" during July have broken through the "highs" established some months ago, aided by the favorable tenor of business news and the improvement in corporate earnings. *Survey of Current Business*, U. S. Department of Commerce, August, 1936, p. 3:1.

Footprints of the Past

The story of the rise and development of business and the history of commerce and industry are not apt to find their way into contemporary periodicals, local histories, or other printed sources. A new business terminology may come into use, new methods of manufacture may appear, or new relationships may grow up between employer and employee, but one will look in vain for evidences of these in the

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

printed material of the period under consideration.

For these reasons the economic historian encounters difficulties that are in some respects more baffling than those confronting other historians, especially if he tries to penetrate the "dark ages" of 75 or 100 years ago.

The chronicler of political events has the political writings of the period he is studying. The military, scientific and cultural historian, in a similar way, has much data on hand; but such digging into the past is complicated and difficult for those who attempt to investigate business history. Such activities can only be carried on by one who has access to the records of business firms, and in a great many instances such records have been lost, burned, or destroyed.

The accumulation of such source material will prove to be of value to business because it will result in the writing of a history of business. Nothing can take the place of original document in tracing the history of an individual or institution. There are three types of business history: the history of individual firms, the history of specific industries, and the history of business in general.

Let us consider the first two of these only. If we study the history of a private business organization we learn that throughout the years of its existence there have been many forces at work, many changes of policy, some of which have brought success while others have resulted in disaster.

It is generally true that business

men do not sufficiently value the history of their business. In technical progress there will be fundamental changes, and in these matters one cannot look to the past for guidance; but as far as policy is concerned, this is not true. Certain policies have made and others have wrecked industries.

The Dennison Manufacturing Company of Framingham, Mass., has undertaken to compile its history from 1844, not for advertising purposes but for the use of its executives who may be called upon to give advice as to changes in the policy of the company. This very voluminous history is being condensed for the use of executives and directors and all new directors are asked to read the shorter version. With new problems arising, this history may provide advice and be of great assistance in aiding the directors to come to a decision. By Alston G. Field. *Commerce*, September, 1936, p. 20:5.

The Case for Private Ownership and Operation of Railroads in the United States

The first argument advanced for private ownership and operation of the railroads is that it works. Genuine accomplishments in truly cheap and efficient transportation have been made by private railroad operation in the United States.

It is apparent from any study of the reports that the privately operated railroads of the United States do not suffer from comparison with government-operated railroads elsewhere. And comparing operation of the railroads

with the United States Post Office, the author says that if the railroads of the United States were operated at the same ratio of expense as the post office, someone, whether shippers, travelers, or taxpayers, would have to meet a 57 per cent increase in railway transportation costs.

Public policy, he continues, bears on the railroads in three ways. Regulation has been so applied as to limit the opportunity to accumulate surplus earnings. Taxation, meanwhile, has been mounting. And huge public subsidies, by which a large part of the cost of so-called cheap transportation by water and by highway is transferred from the shipper to the taxpayer, have acted to lessen the volume of traffic.

The true policy for sound transportation is public ownership through wide distribution of securities, with business operation, under an enlightened government policy which will allow the roads in good times to make surplus earnings as other industries do. By J. J. Pelley. *The Annals of The American Academy of Political and Social Science*, September, 1936, p. 121:6.

What Industry Means to America

Appearing under the title "What Industry Means to America," a special number of *Factory Management and Maintenance* is given over to the presentation in the most dramatic form possible of the part that industry has played in the making of America. Citing the data published by the most authoritative sources, the study traces

the shift from a predominantly agricultural to a predominantly industrial nation. The statistics are presented colorfully and interestingly. *Factory Management and Maintenance*, August, 1936.

What Youth Needs for Business

What has become of the "school of hard knocks?"

It is still with us, in a modified degree. Employers concede that a young man for one reason or another should have a college education today. By then he is generally almost at the same age where his less fortunate father began seeking a career on the benefits of only a high school education.

The four years at college have given him broadening contacts and he is able to take his hard knocks in his stride. Therefore he is not literally four years behind, even though he may be "starting at the bottom."

This is youth's day. In the re-staffing of business older men are not getting back on the job. Situations and methods have changed and those in control are realizing the disadvantage of getting older minds out of old ruts. *Commerce*, September, 1936, p. 13:7.

Copyright Protection Throughout the World

For any concern whose assets and prosperity are based to any degree on exclusive property rights obtainable only by copyright, this volume will be of great importance. It points out that the lack of interest by American manufacturers in copyright protection may be attributed partly to a lack of

realization that their advertisements, whether printed in periodicals, descriptive circulars, catalogs, etc., or broadcast by spoken word in mechanical reproduction over the radio, can be classed as literary or artistic creations, and can, therefore, be protected under copyright laws of many countries.

The study of the subject is to be published in a seven part series, parts I, II, and III of which are on hand. Parts of the study already published and those to come may be obtained by subscribing to the *Comparative Law*

Series (a monthly), which merges all the former publications of the Division of Commercial Laws of the Department of Commerce. The series may be purchased separately for 70 cents.

The seven issues of the report will deal with: International Régime; The British Empire; the American Republics; Western Europe; Central Europe; Eastern Europe; Near East, Far East, Africa, Asia, Surinam and Curacao. *Department of Commerce, Bureau of Foreign and Domestic Commerce, Division of Commercial Laws.*

FINANCIAL MANAGEMENT

The Efforts to Manage Credit

One method of preventing further expansion in excess reserves would be through a reorganization of the Stabilization Fund. The Fund ceases to exist under the terms of the present law on January 30 of next year, and an opportunity thus is afforded for Congress to extend its life in such a way as to prevent the Fund's present gold holdings from increasing excess reserves, and in addition to make it possible for the Fund to sterilize the silver seigniorage and any future increases in our monetary gold stocks.

In order to accomplish these objectives, several changes might be made in the organization, functions, and powers of the Stabilization Fund. These changes would involve the withdrawal of its power to purchase United States Government securities and other instruments of credit, the granting of power and the provision of means to

purchase imported gold, and the transfer to the Fund of present and any additional silver seigniorage.

As to the management of the Fund, it is anomalous that such an organization should be operated independently of the Federal Reserve System. By Murray Shields, economist, Irving Trust Company, New York, before the Utah Bankers Association. *Banking*, September, 1936, Section II, p. 14:2.

The Probable Incidence of Social Security Taxes

Although many commentators anticipate that social security taxes on wages and payrolls will be shifted to the consumer, it is more probable that they will be shifted to the wage earner. However, the gradual application of these taxes during a period of economic recovery indicates that an actual decrease of money or purchasing power wages need not ensue. Since the tax

ultimately takes the form of benefits, the program does not involve a long-run reduction of wage-earners' income, allowance being made for directly charged administrative expenses. By Russell Bauder. *The American Economic Review*, September, 1936, p. 463:3.

Tests of Monetary Soundness

Monetary policy is but one segment of economic policy in general. As long as we are content to try to solve all our problems of unemployment and depression by monetary policy means, we cannot escape from the kind of monetary policy that we have—a paper currency managed in such a way that interest rates are held at a point low enough to encourage monetary expansion and business activity.

But if we are willing to face issues squarely, bringing into focus all of the

elements of the problem, we still have the power to choose between this philosophy and the hard philosophy to which a restoration of the gold standard is appropriate. And although either alternative monetary policy would enable us to attain business prosperity, the nature of that prosperity and the degree of individual economic liberty remaining would differ greatly from one case to the other.

Moreover, if we do not face issues and make our choice we are almost bound to fall into an inflation that seems temporarily expedient to many people—an inflation that will only make the burden of choice more wearisome than it is now. By F. Cyril James, professor of finance, Wharton School of Finance and Commerce, University of Pennsylvania, before the New York Bankers Association. *Banking*, September, 1936, p. 5:2.

INSURANCE *

Property Life Insurance

Dr. Hans Heymann of Berlin, who invented the coverages of insuring property against obsolescence, is now engaged in discussing the possible application to American conditions.

To Dr. Heymann a building is an organism with a life of its own; that life should be insured, so that when the building "dies" and needs to be replaced, funds will at once be available to provide for its complete replacement.

The present method of merely writ-

ing off something on the books each year for depreciation or obsolescence is inadequate; it can't be depended upon. So he would give the certainty of insurance to the maintenance of property values. The losses from devaluation and obsolescence are certainties—the only uncertain thing about them is the time at which they are likely to occur.

Before being insured, each piece of property would be examined to be sure that it was a good risk, then its "life" would be estimated and its "amortiza-

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

tion quotient," or premium, would be computed as a percentage of its present value. *The Spectator*, September 10, 1936, p. 18:2.

Truck Cargo Insurance

Minimum amounts of cargo insurance which common carriers must have for interstate trucking have been fixed by the Interstate Commerce Commission, acting under authority of the new Motor Carriers Act. The minimums are \$1,000 insurance for property carried on any one motor vehicle and \$2,000 to cover property in any one accident.

It is generally admitted that there is a need for such a requirement and that shippers in general are inadequately protected at present especially in those situations where trucks are the only means of transportation. A truckload may range in value from an amount much less than \$1,000, as on low-grade heavy-loading commodities, to an amount over \$150,000, as, for example, on silk. *The Eastern Underwriter*, August 21, 1936, p. 14:1.

Protective and Contractual Liability

It has been said that landlords also need protective liability coverage because of claims that may be made against them for damage done by their lessees. Sometimes the landlord is protected by being named as an additional insured under the lessee's O.L. and T. liability policy, at an additional cost of 25 per cent of the lessee's premium; this method may, on occasion, be made economical, but direct insurance is preferred.

While it is sometimes suggested that an adequate solution is to name *all parties* to a contract as insureds in a public liability policy, that is a rather fragile arrangement, since violation of the policy terms, by *any one* of the insureds, breaks down the insurance for all of them. *The Spectator*, July 16, 1936, p. 22:2.

Providing Protection for the Employee

Through voluntary efforts on the part of employers, a very notable trend in favor of protecting employees has developed. Approximately six million men and women on the payrolls of employers in this country have taken out life insurance, sickness insurance, hospital insurance, old age insurance, or all of these combined through the encouragement and facilities provided for them by thoughtful employers. Through this cooperation, the employees have, in many cases, protection which they could not secure, or would not have secured of their own volition.

The great advantage to the employee who gets his insurance in this way is that he gets it at less than the tabular rate because the business is done on a wholesale basis.

In recent years, some employers have been anxious to grant their employees a so-called vested right in the employer's contributions provided the employee has completed a certain period of years, and even if he should leave the service of the employer. There is a distinct trend toward a provision of this sort. An employee transferring

from the service of one employer to another may be able to carry with him his annuity benefits and thus have for

himself a guaranteed retirement income. *The Spectator*, May 14, 1936, p. 7:5.

OFFICE MANAGEMENT

The Special Library in Business

What a special library can do for a business organization and how to organize and conduct such a service. This discussion is written for the business executive, not for the special librarian. It is for the executive who realizes that modern successful business policies are founded on accurate and exhaustive collection and interpretation of facts, not only relating to his own industry but to other industries and to general economic factors.

The work of a special library is not measured by its printed material but by the resourcefulness and ability of the librarian in using this material and all other possible sources for needed information.

Steps in organizing a business library, qualifications of a special librarian, the library's basic tools and its special reference tools, are described. By the *Publication Committee of the Special Libraries Association*, 1936. 14 pages.

Post Haste

Rule No. 1: The postage rate for books of 24 or more pages (22 of which must be printed) is one cent for each two ounces without a permit, or eight cents per pound if mailed under Sec. 562 P. L. & R. (Bulk Mailing). If less than 24 pages the postage rate

is one and one-half cents for each two ounces without a permit, or 12 cents a pound if mailed by bulk. The saving is 50 per cent.

Rule No. 2: Broad­sides must be folded so that their entire surface (both sides) may be inspected without breaking the seal. If this is impossible they may be *stapled* instead of sealed.

Rule No. 3: Sec. 562 P. L. & R. is a friend indeed. Through its help you only pay for the exact weight of each piece of mail. But, before you go blindly ahead mailing everything under Sec. 562 remember that in many cases you save so little through its use your saving turns into an increased cost because of sorting and bundling operations.

Rule No. 4: Keep a copy of "Table of Transit Time" (from the Post Office) handy. Add four hours on each end for first-class mail delivery; and add twelve hours on each for third class mail delivery. This will facilitate you if you want to get something some place at a definite time.

Rule No. 5: If you're going to have fan or audience mail sent to you from local stations or papers, be sure it hasn't been opened. As long as it's sealed it can be sent by parcel post—but once it's opened, if it's remailed it will have to bear first-class rate.

Rule No. 6; When pieces of mail are to be shipped to dealers the stamps to be affixed to that mail must be purchased at the dealer's post office, and a notice to that effect printed on the parcel post package you send him. If the stamps are purchased in New York, the package of mail must be shipped to him by first class. By Edward M. Mayer, Jr. *Graphic Arts Buyer*, July, 1936, p. 24:2; September, 1936, p. 22:3.

10 Short-Cuts to Central File Efficiency

1. Stamping for file and underlining names and subjects immediately upon receipt. 2. Alphabetical sorting on a sliding table. 3. "Parallel filing" of preceding year's correspondence. 4. Special indexing of miscellaneous correspondence. 5. Sheets stapled in upper right-hand corner. 6. Separate folders for important correspondents.

7. Extensive cross-indexing with extra carbon copies. 8. A "borrowed" sticker attached to removed correspondence. 9. An "out" card and "out register" to check on borrowed files. 10. The index name invariably underlined on every file item. By W. J. Cassin. *Bankers Monthly*, September, 1936, p. 530:3.

Intra-Communication and Executive Efficiency

It is inefficient when the regular telephones in an office are used for inter-office communication, or when a buzzer system is in effect. When the boss wants to communicate an idea to

several members of the staff, time is wasted if they all come into his office.

Systems of direct private lines that establish instant automatic voice contact between departments and members of the executive organization, and that operate entirely independently of the regular telephone system, are efficient because they are quick. They do not cause switchboards to be tied up; they do not give an opportunity for inter-office visiting; they do not cause lengthy and inopportune interruptions from work; they supplement the regular telephone system, permitting information to be acquired quickly by one using an outside wire; they allow group meetings to be held by arrangement at which the chief executive can deliver a message over the entire system. *The Office*, September, 1936, p. 12:2.

Office Machine Operators: Tabulating Machines

This material on tabulating systems is the third in a series of descriptions of office machine operators and the equipment they use. *Occupational Information Bulletin No. 9*, New York State Employment Service, May, 1936.

Accuracy—Necessity Essentials of Basic Records

The value of any business record depends upon two things: its accuracy, and the effectiveness with which it is used to increase profits. No records should be kept which are not going to be used—even though their use would increase the profits of the company.

Waste in offices almost always is due to one of two things. One is having too many kinds and sizes of forms, a greater number or greater variety than is absolutely necessary. The other is keeping records which never are used and consequently are not needed. It is often surprising how much work and money can be saved and how greatly the accuracy can be increased by adopting standardized basic forms.

Machines are greatly increasing the accuracy of forms and speed in recording, filing, and finding information. The use of photography insures accuracy, and to a greater and greater degree, the electric eye is being pressed into service. It counts, it matches, it sorts, it controls operations. It is ac-

curate. By J. E. Bullard. *The Office*, September, 1936, p. 18:4.

We Sold Our Employees on Telephone Efficiency

Have the people in your office ever been instructed on the way you want them to answer the telephone? Everyone answers the telephone some way and if he has never given it conscious thought, it is probably not the best way.

This company drew up instructions on the right and wrong way of answering the telephone and corrected many bad telephone habits. *Office Management*, July-August, 1936, p. 20:2.

PRODUCTION MANAGEMENT

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

What About Small Business?

We have become so accustomed to large industrial enterprises around us that many persons are inquiring if there is still a place in our economic structure for the small business concern. The depression of 1930-34 has emphasized one outstanding weakness of large enterprises. Mass production requires mass marketing; mass marketing requires mass purchasing power. Since the latter does not exist in a depression due to general unemployment, mass consumption has fallen off, in some lines considerably, thereby making it difficult to operate large

enterprises on a mass-production or mass-marketing basis.

Certain industries lend themselves to small-scale operation. Small manufacturing concerns possess a number of advantages, not fully realized and understood by many persons, over the large corporations.

These points and principles indicate very clearly the serious need of decentralization of certain large business units. Many large concerns are carrying the dead weight of over-capitalization, a surplus of high-salaried executives, and an excessive burden of fixed charges, not to mention certain

other unfavorable factors. To survive, these large corporations by secret agreements and other practices with competing firms fix prices high enough to enable the high-cost producers to stay in business. In that way they cover their economically unnecessary high costs of operation thereby penalizing the consumers.

It is, of course, conceded that in certain industries big corporations operate more profitably than small firms, as in those industries requiring large capital investment.

Each type of industrial enterprise, that is, small-scale and large-scale businesses, will do well, as a general rule, to remain in their respective field. Large-scale enterprises have generally been successful in supplying standardized articles, while small-scale enterprises have generally been successful in furnishing non-standardized, distinctive, often handmade articles. By Paul J. Fitzpatrick. *Credit and Financial Management*, September, 1936, p. 16:5.

Labor Standards for Government Contract Work

Under the Walsh-Healy Act, which became law on June 30, 1936, all employers contracting with the Federal Government "for the manufacture or furnishing of materials, supplies, articles, and equipment in any amount exceeding \$10,000" must comply with certain minimum labor standards with respect to the work performed under such contracts. The Secretary of Labor is charged with the enforcement of the act.

The Secretary of Labor announced on July 19, 1936, that the standards provided by the act will become effective on September 28, 1936, for contracts advertised for bids on or after that date.

Every Government contract for the manufacture or furnishing of materials, supplies, and equipment in any amount exceeding \$10,000 must comply with the following provisions of the Walsh-Healey Act:

1. The contractor must be a regular dealer or a manufacturer of the materials or articles covered by the contract. This provision is designed to eliminate the practices of "bid peddlers" (individuals or corporations getting Government contracts although they are neither manufacturers nor regular dealers in the articles under contract, who sell the bids to regular manufacturers and dealers).

2. The contractor must pay to the workers employed in making the articles under contract not less than the prevailing premium wage paid on similar work in the locality where the articles are manufactured or furnished. The Secretary of Labor is charged with the duty of determining the prevailing wage for each industry involved. Until such determinations are made, this subsection will be inoperative.

3. Rebates or deductions from wages paid to employees are prohibited.

4. Persons employed under the contract must not work longer than 8 hours in 1 day or 40 hours in one week. The Secretary of Labor may,

under certain conditions, permit overtime work, which is to be paid at the wage rate of one and one-half times the basic hourly wage.

5. Employment of males under 16 years of age and of females under 18 years and the employment of convict labor is prohibited.

6. All contracts must stipulate that the work is to be performed under conditions which safeguard the health and safety of the employees. This provision applies not only to contractors but also to subcontractors who manufacture materials used in the articles covered by the contract. By Henry W. Lehmann. *Labor Information Bulletin*, August, 1936, p. 10:2.

The Theory of the Shortened Working Week

Goods are bought, not because men have leisure but because they have purchasing power; if each worker produces less, but gets the same wages, the labor cost per unit of the product is increased; the capital cost is also increased unless the number of shifts is increased.

Four predictions: 1. If wages do not decrease and if there is no increase in the number of shifts, costs and prices will rise, less will be consumed and there will be no decrease in unemployment; 2. If wages are not decreased but the number of shifts is increased, the decrease in the capital cost will partly neutralize the increase in labor cost; 3. If wages are reduced to correspond with the decreased product, and if there is no increase in the number of shifts, the labor cost will re-

main the same, but the capital cost will rise; 4. If wages are reduced and the number of shifts increased there will be a positive decrease in the total cost, prices will fall, more will be bought, and it will take less workers to supply the demand. By T. N. Carver. *The American Economic Review*, September, 1936, p. 451:12.

Some Problems of an Industrial Civilization

The Twentieth Century is faced with the experiment, unknown to history, of building a civilization on the basis of industrial democracy. This cannot be done without the combination of the economic and the psychological approach. In the nineteenth century the one-sided teachings of orthodox economics found their counterpart in the rise of the labor movement with its emphasis on human personality. The task of the present generation is to combine the well-being of the worker with the economic requirements of industry. By J. H. Blaksley. *The Human Factor*, September, 1936, p. 322:8.

Earnings and Hours in Tin-Plate, Strip, Skelp, and Tube Mills, 1933 and 1935

Average weekly earnings in tin-plate mills increased from \$17.84 to \$28.09 between March, 1933, and March, 1935, according to the survey of wages in the iron and steel industry made by the Bureau of Labor Statistics. This gain was due to an increase of 40 per cent in average hourly earnings plus a 10.8 per cent rise in average weekly hours. In March, 1935, the average

weekly earnings in strip mills was \$28.66, in skelp mills \$20.98, in lap-weld tube mills \$19.70, in butt-weld tube mills \$19.43, and in seamless tube mills \$22.14. Similar data for these departments are not available for 1933. *Monthly Labor Review*, August, 1936, p. 435:18.

Legalization of Collective Agreements in Foreign Countries

In the effort to prevent the lowering of wages and standards of work through unregulated competition, the governments of several countries have adopted the device of the legalized collective agreement. By that means, terms that have been agreed upon by organized workers and employers covering conditions of employment are

applied as law to all engaged in the industry or occupation covered by the agreement, whether signatories or not. A discussion of the operation and extent of this method of stabilizing wage scales is given in the article. *Monthly Labor Review*, August, 1936, p. 398:7.

Medicolegal Aspects of Silicosis

This little booklet on silicosis gives many facts about individual susceptibility, pathology, diagnosis, x-rays, symptomatology, prognosis, complications, treatment, medical methods, engineering methods, legislation and compensation. By M. Kummel, M.D., Member of New Jersey Bar. Reprinted from the *Medical Record*, May 16, 1934. Distributed by Eastman Kodak Company. 18 pages.

Cost Control

Expense Analysis on 263 Business Cars

In an expense analysis, just completed by the Humble Oil and Refining Company, of 263 light automobiles used in sales and field work by a well known company, it was found that total operating costs were 3.59 cents per mile. All these 263 cars were traded in at the end of 1935, and most of them were 1933 and 1934 models.

At the time of replacement, these cars had averaged 44,600 miles per car in total mileage. The cars averaged 2,230 miles per month during the period used by the company. This is exactly twenty months' average age per car, indicating that this company has

found it profitable to trade in cars before they reach their second birthday in use.

A quick calculation indicates that each car uses approximately \$566.42 worth of gasoline during its lifetime with this company. Oil costs per car totaled \$80.28 when averaged. Repairs cost .68 cents per mile or a total of \$303.28 per car. This figure seems high, when we consider that it includes no tire replacement costs. The total cost of operating a car 44,600 miles, according to the records kept by this company, averaged \$1,601.14.

The company finds that the average miles traveled per gallon of gasoline consumed amounted to 14.1, while the

average per gallon of oil, crankcase changes and additions both considered, were 510. The oil ratio therefore is 2.78 gallons for every hundred gallons of gasoline. *American Business*, September, 1936, p. 17:1.

Capacity to Pay Current Debts

This publication is a study of some of the latent factors which contribute to the capacity of a company to meet its current debts. For this purpose the financial statements of 172 large industrial companies were analyzed. These data were supplemented by figures from the *Statistics of Income*. Attention was directed to the implications to be found in the financial statements regarding the internal financial operations of business units. Specific attention has been given to the changes which occurred in debt-paying ability of business establishments during recent years and to the relative ability of large and small enterprises to pay their debts. By Arthur H. Winakor. *University of Illinois Bulletin No. 53*, October 6, 1936. 54 pages.

Old Question: New Answer

How can the books be cleared of those customers whose payments are so slow and whose credit is so doubtful that they are no longer assets to the company?

An apparent solution to this problem has been evolved by E. L. Boneau, credit manager of the Brown Shoe Company of St. Louis. An experiment which he entered upon with a number of poor-pay accounts has resulted in his company's sales to these customers in-

creasing from 500 to 700 per cent—a worthwhile increase.

His idea was that a little judicious doctoring might be better than a lopping off entirely of the ailing limbs. The creditor, he decided, should also be a counsellor.

He took a group of the worst, whose credit was so bad that they were scheduled for elimination. He sent them no dunning letters, but instead contacted each one suggesting that they permit the Brown Shoe Company to help them find the way out of their difficulties.

Although the distressed retailers really wanted to pay their bills, it was not always easy to convince them that they should frankly submit their problems to the scrutiny of the creditor. Mr. Boneau, however, enlisted the co-operation of a substantial number of the delinquent merchants.

A frequent examination of the retailer's operations as reported by him brought to light the cause of the difficulties and suggested the solution. If the retailer's books were clogged with customers whose charge accounts were long overdue, experienced credit men from the Brown Shoe Company helped him weed out those most undesirable. If his bookkeeping system was inefficient and inadequate, accountants straightened it out. Style and merchandising experts and trained salesmen would aid him in selecting the type and quantity of stocks to carry; members of the advertising departments would give helpful suggestions on displays and advertising, and retail research experts would assist in lease arrangements and store location.

Whatever the source of the retailer's trouble, somewhere in the headquarters of the farflung Brown organization there was usually an expert who knew the solution. Mr. Boneau acted as liaison officer in finding the proper men for the job.

Results of the plan were twofold. Not only was the credit burden of the shoe manufacturer lightened, but sales volume with these customers soared when they were placed on a sound footing and shown how to increase their sales. By Thomas W. Parry, Jr. *Credit and Financial Management*, September, 1936, p. 19:1.

Vacation Reserves

One of the queries recently received by the Controllers' Congress covered the question of vacation reserves. The question follows:

"Is it the general practice to charge the expense of paid vacations in the months in which they occur, or to set up a Vacation Reserve, distributing their cost over a period of a year? We find that during the three summer months our payroll percentages are thrown out of line by the large amounts paid out for vacations."

It does not appear to be the general practice to set up this type of reserve. To minimize the effect of paid vacations the tendency is to spread vacations over a period of from three to four months so as to carry on without hiring additional people. Where additional help is required, the practice, where possible, is to shift people from over-manned to under-manned departments.

One controller has expressed the thought that while there are disadvantages to charging vacation salaries in the current month and so working a hardship on some departments, that very fact acts as a stimulant to the heads of those departments to obtain a greater volume. *The Balance Sheet*, September, 1936, p. 21:1.

What Is Research and Why

Should your organization exist? Chronic losses not due to the business cycle or temporary conditions leave only the alternatives of poor management or an inherently unprofitable business. The former condition may be remedied. But the latter requires either liquidation or a shift to another type of activity. This applies to insufficient profits as well as losses.

What size should your business be? Get out your records of income, expense, and volume of business over a period of years and plot the two former against the latter in the form of a profitgraph. This will show you the volume of business at which you break even as well as the magnitude of profits above that point for your present capital facilities. You can then approximate your profit or loss for any given range of output for greater or lesser capital facilities.

What kind of business should you be in? An established textile mill making modest profits once consulted an industrial engineer to see how their net could be increased. He recommended: dispose of the mill and concentrate on speculation in inventories. Excellent profits had resulted from in-

ventory speculation but manufacturing had been done consistently at a loss—the result, small profits.

Be sure to separate financial, manufacturing, and sales costs and results. You may find most of the trouble in a single division of the business.

Do you have financial control? Accounting and statistical records tell what has happened in a given department, but the information does you little good unless you know what should have happened. If standard performance is known, a statistical or accounting system can determine actual results and compare them with standard. All material deviations must be explained in terms of individual responsibility.

Is your office productive? Clerical operations are not fundamentally different from manufacturing ones. If you don't measure clerical performance, you are missing a good opportunity to increase the black figures on your income statement.

How fast does your organization

change? Take each department and ask: how many major improvements have been installed in the last year or two. Conditions are changing rapidly. Absence of change is *prima facie* evidence of stagnation, if not degeneration.

Sales troubles? Do you know the potential market for your product in terms of geographical location, type of customer, and optimum merchandising effort for each? Do you know the cost of selling each major item in the line as well as its plant cost? One organization turned a loss into a profit by the simple process of dropping 80 per cent of its customers.

Don't be deluded by profits. You probably should be making more. Three ways to go about improving management are: Uncover some one in your organization with requisite training and ability to undertake the task. Add an industrial engineer to your staff. Engage a consultant. By Gilbert Amerman. *Chemical Industries*, September, 1936, p. 249:3.

Training and Education: *Schools, Libraries, Employee Publications*

Testing Before Training

A large department store ran an experiment to see if a test, called a Hard Directions Test, would serve as a pre-determiner of ability for the work of its checkers—employees who inspect sales checks for over 30 different points.

Here is a sample of the instructions in the Hard Directions Test: "Write *yes* no matter whether China is in Africa or not . . . and then give a

wrong answer to this question: 'How many days are there in a week?' . . . Write any letter except *g* just after this comma, and then write *no* if 2 times 5 are 10 . . ."

It was discovered that there was a relationship between ability to perform this test and ability to discover mistakes on saleschecks following instruction. The test can now be used on subsequent groups as a basis for deciding who shall be trained. Those

permitted to go into training, on the basis of the test, will be much better than a class organized without the test as a basis. By Richard C. Corris. *Personnel Journal*, September, 1936, p. 87:4.

An Engineering School of Its Own

Chrysler Corporation selects recent graduates of accredited technical schools, gives them special two-year training in its own Institute of Engineering, turns them into research and experimental men. In addition, about a thousand people are enrolled in the Institute's evening classes.

Graduates of the technical schools get \$125 a month the first year, \$140 the second, and are moved from one department to another in the engineering division every two or four months.

Upon completion of the course men are graduated with an M.E. degree

and are absorbed by the department in which they fit best. The choice of the type of engineering they wish to follow is left to them.

The undergraduate school (held evenings) has an enrollment of about 1,000 men and women. Courses are offered in high school preparatory or commercial work, mechanical engineering, mechanical drafting, etc.

All faculty members are Chrysler employees, and must be college men. No tuition is charged; books are sold at cost. Average age of the men in the school is 30 years. The undergraduate school enables the finding among the 70,000 Chrysler employees of latent talent; it furnishes a means for finding those who are worthy of further development and advancement. By John J. Caton. *Factory Management and Maintenance*, September, 1936, p. 47:3.

Personnel

Big Business Goes Man-Hunting

It is a sign of the times to find E. R. Stettinius, Jr., chairman of the finance committee of the United States Steel Corp., declaring in an address that "there is today in America an awakened and enlivened sense of the imperative necessity of developing our executives in a more scientific manner."

He proposes the establishment, under the president of an organization, of an officer in charge of executive personnel. The responsibilities and duties of this officer, he outlines along these lines:

First, to maintain a complete, progressive record of all employees, actually or potentially eligible for rating as executives. Second, to maintain organization charts on which would be registered all eligible executives qualifying for this special analysis. Third, to develop lines of promotion whereby opportunities for advancement would be company wide in every department of the business.

Fourth, to prepare and maintain job specifications for all positions on a specially prepared organization chart and to insure that qualified understudies are in training for promotion to

those positions. Fifth, to make available information concerning courses of study, books, periodicals, and other activities of an educational nature. Sixth, to evaluate each position through the use of job analysis and specifications as the base for a salary-standardization plan. Seventh, to serve as secretary of a salary committee composed of an appropriate group of principal executives as a further application of the salary-standardization plan.

Finally, to act as fact-finder and adviser to the president and other principal executives in all matters pertaining to executive employment, compensation, advancement, retirement, and the like. *Barron's*, September 21, 1936, p. 6:1.

An Inventory of Your Salespeople

In this report a periodic inventory is urged upon the management of stores as a tool of personnel management. This periodic review consists of: a. personnel reviews, conducted either semi-annually or annually, and supplemented by: b. employee ratings, made either monthly, quarterly, or semi-annually.

The manner of conducting a personnel review is outlined, suggesting by whom the personnel review should be conducted, the records reviewed, etc. There is also a discussion of rating plans from the standpoint of the employee and from the standpoint of management. The section on "The Installation of a Rating Plan" discusses samples of rating scales now used, who shall do the rating, explain-

ing rating to salespeople, etc. Forms used for reviewing and rating illustrate the report. Part 1 of a study issued by the Personnel Group of the *National Retail Dry Goods Association*. 30 pages, \$1.50.

The Temperamental Factor in Industry

There has been a tendency to think that success and happiness in life are largely dependent on intelligence or practical ability. Study of industry shows that temperamental qualities play a considerable part in helping to determine success or failure. It is shown that people in authority who are temperamentally maladjusted can cause a high labor turnover, or a high sickness absenteeism and in some occupations, affect the output. Many in all ranks fail to be as efficient as their intellectual endowment would permit, or find conditions that are neutral to others intolerable, or add irrationally to their troubles, through defects of temperament. By May Smith. *The Human Factor*, September, 1936, p. 301:14.

Experiments in Job Analysis

This article is the first of a series in which the author will tell of his experiments in improving personnel work, in weeding out unfit employees, in training old employees and reducing turnover.

The article shows how the objective point of view of the industrial engineer is being superseded by the psycho-technical approach. Instead of thinking of a man as an integral part of the machine, the machine is looked

upon as an efficient extension and projection of the skill and ability of the worker. The new point of view emphasizes the importance of those more subtle psychological factors which are not subject to purely mechanical analysis, such as, motivation, emotional adjustment, mental health, and social well-being.

Investigators have discovered that such factors as fatigue and energy costs are not merely determined by the physical operations of work itself, but are also conditioned by the health of the worker, his emotional attitudes, the presence or absence of fear, anxiety, and insecurity in his thoughts, and by his general attitude toward the company, his fellow workers, and society.

A psycho-technical system of control reduces turnover, increases production, eliminates strife and conflict, and creates that kind of work environment in which men and women find a contin-

ued sense of well-being from their economic participation. By S. N. Stevens, Director, The University College, Northwestern University. *American Business*, September, 1936, p. 11:5.

Prediction of Clerical Success by Tests

The Otis Self-Administering Test of Mental Ability, the Minnesota Vocational Test for Clerical Workers and the O'Rourke Clerical Aptitude Test, Junior Grade, are among the tests that have been used to predict success in clerical work. Intercorrelations of different scores on these tests are discussed with respect to three general questions: (1) Work limit vs. time limit administration; (2) Need for scoring; (3) Uniqueness. By Herman A. Copeland. *The Journal of Applied Psychology*, August, 1936, p. 461:10.

MARKETING MANAGEMENT

Future Trends in Consumer Demand

In the new and extremely likely prosperity to come, certain businesses will be carried ahead on a flood tide of new demand, while others stagnate. There is an actual decrease in consumption of certain food products as family incomes expand. A general increase in prosperity will injure flour millers, soup canners. Vegetable canners, sugar refiners, the dairy companies, makers of cereal products and lard substitutes will find their markets

expanded but little. Growers and shippers of fresh fruit and vegetables, the meat packers, makers of cheese, and owners of the nation's hens stand to benefit most.

Another mode of expression of an advancing living standard is the swing from bulk to packaged commodities, from off-brand merchandise to nationally-advertised brands. This will tend to benefit the leading manufacturers in the food and drug fields, at the expense of local concerns, and mail-order houses and jobbers with their local brands.

Expenditures for the home—rentals and home upkeep, house furnishings and equipment—will, in general, show a sharp upturn as consumer buying power expands. The first extra dollars will buy or rent inside-flush toilets, baths, etc.; then electrical refrigerators, better furniture, oil burners will be bought. Any improvement in the condition of the poor at the expense of the well-to-do or middle classes is bad news to the building materials manufacturer, the home-equipment industry. Broader markets for this class of products exist when and where there is a fairly pronounced inequality in the distribution of wealth and incomes.

It is in the numerous and heterogeneous products and services classification that most of the pronounced increases in demand occur in times of advancing prosperity—a demand for cosmetics and drug products, liquor, tobacco, sporting goods, travel, education, books and magazines, domestic and personal service, automobiles, recreation, etc. With most of these items there is a quick recovery in times of prosperity, and an equally rapid slide downward when depression comes.

A period of advancing prosperity, of greatly elevated living standards for the nation as a whole, is not, however, all a bed of roses. A less stable economy is almost sure to result. More and more of the nation's future productive capacity will be concentrated in industries where demand is highly elastic, where consumption can be quickly and rather easily curtailed.

Progressively higher living standards will almost inevitably result, therefore, in a more erratic economy—an economy characterized by increasingly severe depressions, by cumulatively spectacular booms. This is a high price to pay for two cars in every garage. But very probably it is an unavoidable price. By Wadsworth H. Mullen. *Barron's*, September 7, 1936, p. 4:2.

Shippers Scan New Truck Rates

A new era in transportation began on April 1 when motor vehicles engaged in interstate commerce were obliged to file schedules of their rates and services with the Interstate Commerce Commission. The first result of this regulatory régime for motor trucks is that stability and a kind of legal recognition have been thrust upon a branch of transportation that somehow seems to have thrived in spite of chaotic conditions.

The rates on the whole are higher than they were, and to a great extent, they are the same as the railroad rates, even in form, as the National Motor Freight Classification follows the general plan and ratings of the railroad classification.

An important difference between the railroad rates and the truck rates, however, is that where the railroads have one classification publication, the truckers have several. In shipping by railroad, one knows what to expect, one cannot be so casual with motor carriers. Nothing can be assumed. There are unexpected quirks in the

regul-
vanta

TH
too.
of ra
rate,
as th
The
vento
make
also
ery s

Co
rates
on st
cient
been
just
dustr
Busi

How

W
every
bring
ing s
kets,
grew
slum
gesti

I.
togr
unin
Shov
mak
savin
wor
2
pag
to c
alog
Con

regulations that often give the advantage to the railroads.

The trucks have inviting features too. They are able to offer a series of rates, beginning with the L. T. L. rate, which become successively lower as the weight of the shipment increases. The modern trend toward limited inventories and spot stock distribution makes this an advantage. The truck also offers a "split" pickup and delivery service.

Contrary to expectations, the new rates have had no harmful effects upon small truck operators. More efficient and reliable service has already been noticed as a result of the readjustment. By Ralph L. Woods, Industrial Traffic Analyst. *Nation's Business*, September, 1936, p. 36:5.

How to Make a Catalog Sell More

With sales increasing in almost every industry, many companies are bringing old catalogs up to date, issuing special catalogs for specialized markets, and modernizing catalogs which grew whiskers while business was in a slump. Here are six practical suggestions, none of them new or untried.

1. Include more actual "in use" photographs. Many catalogs still use stiff uninteresting pictures of products. Show the product in use—show people making money with it, cutting corners, saving time. Use pictures to save words.

2. Use more color and rotogravure pages. Color photography is available to every advertiser. The current catalogs of both Montgomery Ward and Company, and Sears, Roebuck and

Company show big increases in the use of rotogravure and color pages. If you want to double and triple the sales-making power of your catalog, use color lavishly.

3. Make finding easier with cross indexes. A catalog is no better than its index. If you index "hayrakes" be sure to put it in the index both ways. And remember, there's a difference in what your product is called in different parts of the country—jerseys in your part of the country may be called "sweaters" in the southwest. Include a thumb-index if that is possible, or print the index on different colored paper stock from the rest of the book.

4. Include ample data on all shipping costs. Your prospective buyer is going to send his order to the source which makes it easier to order. Checking over hundreds of catalogs reveals the fact that there is an almost amazing lack of data on shipping costs.

5. Sell the functions as well as the product. Too many catalogs are compiled with the idea that each catalog reader will know all about the uses and functions of each product. Unless your product is as stable as a snow shovel in Minnesota, use as much sales-creating copy as possible. Also tell the customer about those who use the product successfully. Take a leaf from Eastman Kodak methods and include user information which will turn every catalog into a handbook—insurance against the catalog landing in the wastebasket.

6. Give your catalog a direct mail "build-up." With investment of

thousands of dollars in catalogs some companies throw their precious catalogs into the sea of mail that every customer receives. Other companies use a letter campaign. The letter announces the catalog or tells the right man to be on the lookout for it. A few hundred dollars spent in dramatizing your catalog by direct-mail will often double the value of an investment of many thousand dollars. *American Business*, September, 1936, p. 24:2.

How Recovery Has Helped Retailing

The first returns from the business Census of 1935 are now coming in. An examination of the figures released on Maine, Washington and Montana reveal that retailing is well on its way back to 1929 levels, if these states afford a criterion for the country.

Total retail sales in these three states in 1935 amounted to \$943,000,000 as against \$664,939,000 in 1933 and \$1,313,263,000 in 1929, a gain of 42 per cent over 1933 and only 28 per cent less than 1929.

In the variety store field, independent as well as chain, total sales in 1935 amounted to \$20,312,000, as against \$16,949,000 in 1933 and \$19,451,000 in 1929, a gain of 20 per cent over 1933 and 4 per cent over 1929. The three states had 312 variety stores in 1929, 324 in 1933 and 345 in 1935.

Later on separate figures for the chains will be available, but even though the first results of the 1935 census are confined to retailing in general, they are nevertheless full of interest for chain store operators.

They show, for instance, that notwithstanding the constant outcry that the chains are driving the independents out of business, the number of retail stores and the number of active proprietors continue to increase. In 1929, in the three states covered, there were 40,152 stores; in 1933, 39,468; and in 1935, 45,492. In other words these three states have 13 per cent more stores in 1935 than they had in 1929, notwithstanding six years of depression.

That this increase in the number of retail stores is not to be attributed to chain store expansion is clearly indicated by the fact that it was accompanied by a corresponding increase in the number of *active proprietors*—from 38,320 in 1929 to 41,781 in 1935, or a gain of 9 per cent—which would not have been the case had the new stores been additional chain store units, for chain store expansion does not increase the number of proprietors. *Chain Store Age*, General Merchandise Executives Edition, September, 1936, p. 18:1.

Trade Name Hurdles

One of the characteristics of a good trade name is that it is easy to remember. This article describes a test of the memorability of the ten best of a list of 200 trade names that had been devised for a new product. The subjects in the test were 126 juniors and seniors at the University of Minnesota, chosen for their good averages in college work. The test was conducted in connection with the class in Psychology in Advertising.

The results showed 113 different names or combinations of the original ten names or misspellings of the names. Some of the incorrect names were given by as many as ten different subjects. The evidence showed the uphill struggle involved in the implantation of a trade name in the minds of prospective customers.

There is increasing agreement among investigators of advertising and selling problems that the problem of choice of a trade name is one which can be solved by preliminary tests. Such tests, they point out, can be conducted for a small fraction of the money that must be spent to put across a poor name. By H. P. Longstaff. *The Journal of Applied Psychology*, August, 1936, p. 438:4.

The Cooperative Revival

In this country today there are roughly 7,000 cooperative organizations, and they do an annual retail-wholesale business of about \$1,000,000,000. We rank nineteenth in point of progress on the world list. The movement has been highly regional in character in this country. It has thus far been confined predominantly to

two geographical regions, namely, the East North Central States and the West North Central States. These states include today no less than 71 per cent of all the country's cooperative societies.

The movement is gaining genuine momentum here. It is not only expanding at a substantial annual rate, but it is pushing into the cities as well as into new agricultural regions.

The heart of the cooperative movement today is the consumer cooperative, in which, as a general rule, a group of individuals come together, or are recruited, and set up a joint enterprise for the purchase and sale at retail of necessities or other commodities that they use regularly. From such a start it may reach out in any number of directions. Having eliminated one middleman in the retailer, it may find itself strong enough financially and in membership to step into the shoes of the wholesaler as well. It is but one step more for the cooperative to invade the field of manufacturing, and thus make itself independent of the producer as well. By Edward H. Collins. *Banking*, September, 1936, p. 23:3.

Books Received

Educational, Psychological, and Personality Tests of 1933, 1934, and 1935. By Oscar K. Buros. School of Education, Rutgers University, 1936. 83 pages. 50 cents.

Problems in Marketing. By Edmund P. Learned. McGraw-Hill Book Company, New York, 1936. 669 pages. \$4.00.

Proceedings of Conference on Debt Taxation and Inflation. The Wharton School of Finance and Commerce, Philadelphia, 1936. 109 pages. \$1.00.

The Law of Wage Action. By Willis L. Hotchkiss. Eaton Publishing Company, Cleveland, 1936. 238 pages. \$2.25.

Suggestions for an Accounting Plan for a Non-Profit Organization. By Frederick J. Haller. The Woman's Press, New York, 1936. 109 pages. \$2.00.

How to Create More Jobs than Men. By H. Ellenoff. Beaverbrook Printing Co., Inc., New York, 1936. 48 pages. 25 cents.

Cost of Living in the United States, 1914-1936. By M. Ada Beney. National Industrial Conference Board, New York, 1936. 99 pages. \$2.50.

Introduction to Corporate Finance. By John C. Baker and Deane W. Malott. McGraw-Hill Book Company, New York, 1936. 382 pages. \$3.00.

Survey of Books For Executives

Group Selling by 100,000 Retailers: The Evolution of Food Distribution in Voluntaries and Cooperatives. By Gordon C. Corbaley. American Institute of Food Distribution, Inc., New York, 1936. 196 pages. \$3.75.

Mr. Corbaley in his preface to this book speaks of his experience in writing it as having been a "voyage of discovery" in which he got a real vision of the business territory where he had been working for many years.

I believe the readers of this book will have a similar experience. It gives a picture of the food industry which might almost be called a moving picture in that it has the element of life and motion in it. It shows you the food industry evolving and in the very process of experiencing radical changes.

Probably there is no one person better fitted than Gordon C. Corbaley to paint such a picture of the food industry. The vast mass of detail and

accurate information about the industry which has been gathered year by year by the American Institute of Food Distribution to form the basis of its reports and bulletins, together with Mr. Corbaley's own broad experience and grasp of the fundamental factors involved, gives an unusual and fruitful combination. This book is the sixth in a series of studies of the voluntary chains and as such is full of practical details about this development in the food industry; but the book is much more than that. Mr. Corbaley tells the story himself in his introduction:

"The Food Institute staff began its regular gathering of thousands of detailed reports to assemble the story of how the methods of the voluntaries and cooperatives were working.

"Tabulating and interpreting these reports seemed to establish the theory that a logical evolution in business methods was well along toward becoming settled in a new and different pattern from 20 years ago.

"We then unearthed the probability that the retail stores of the corporate grocery chains might be transferred to individuals and the corporate chains become voluntaries.

"We learned that a general evolution similar to ours is taking form in other countries. In Sweden and in Holland, voluntaries and retailer-cooperatives are being organized to enable independently owned businesses to work more effectively with each other to meet the competition of consumer-owned cooperatives. The Polish Government is looking at the retailer-cooperative idea to enable independent retailers to compete with the 'capitalistic chains.'

"Through many hours of staff conferences, we traveled back and forth over this larger picture until we located what seems to be the new control point in distribution—the retail store whose activities largely regulate the volume, character and prices for the flow of foods into consumption.

"A technical study into the details of one part of the food business was expanded into a record of how the entire food industry operates, more or less analyzing the human impulses which control each move in that operating."

This picture of the evolution of the entire food industry is given in the first six chapters. There are then eight chapters which give details of operating practices of the voluntaries and co-operatives and show the evolutionary changes in the practices. One chapter goes into the question of the development of corporate chains into volun-

taries and shows the probable effects of the Robinson-Patman law. The concluding chapter gives the projection of this evolution into the future as it has developed in the minds of the staff of the Food Institute and of Mr. Corbaley. From first to last the book is full of interesting detail and sound practical advice to the men who are in this field of work.

This book is just one more piece of evidence of the valuable work which can be done by an organization which is inside an industry and has the interest of that industry at heart and yet is able to maintain a scientific objectivity in its work. Those who have experience in this kind of work will realize the difficulties which must be encountered, the frequent lack of appreciation which is met with from those who benefit most by the work and the unflagging devotion to a scientific purpose which must be back of an effort of this kind in order to carry it through. Gordon C. Corbaley is a notable example of what such a purpose can achieve. Every executive in the food industry would profit by a very careful reading of this book. It will be definitely helpful because it is thorough, thoughtful and suggestive.

Reviewed by Alvin E. Dodd.

The Mathematical Principles of Instalment Selling. By W. Russel Mules and Owens Laws. Reese Press, Baltimore, 1936. 300 pages. \$5.00.

Complex and difficult problems are encountered in the field of instalment

finance in the determination of the proper charge for the services rendered. The purpose of this volume is to clarify some of these problems.

The authors point out that due to the nature of the business most of the methods used to determine this charge have been based on the cash employed in the transaction, and it is not uncommon to hear these charges referred to as a certain rate of interest per annum. Because a large portion of the charge made by a finance company is for the services rendered, and not for the use of the borrowed funds, it is misleading to refer to this charge as interest, which term is almost universally accepted to mean the charge for the use of money.

The many tables which form the bulk of the book are intended for the experienced executive and operator who, having determined the elements of cost, profits, etc., and having selected the proper yield can then determine the rate to be quoted.

The basic principles are thoroughly outlined in the text.

Administration of Workmen's Compensation. By Walter F. Dodd. Commonwealth Fund, New York, 1936. 845 pages. \$4.50.

In the last twenty-five years the compensation system has become well-nigh universal in the United States, where all the states but two have compensation laws. The federal government also has adopted the plan. The laws of the various jurisdictions are

different and the problems, for various reasons, are different. One state is sparsely settled, another densely; one is predominantly agricultural, another predominantly industrial; wage scales vary greatly; in one state a claim, because of distance, is largely proved on paper, in another a five cent fare enables the claimant to be present in person; the scales of benefits vary greatly; the courts have original jurisdiction in some states while special commissions obtain in others; and, the methods of insurance range from the state monopoly to a much freer choice of several kinds of insurance; rates vary.

All this has developed a vast business in the amount of money involved presenting thus a new insurance field, a new problem of overhead for the employer and a new venture for the states. The compensation system involves also many new problems of law and medicine and it has encouraged a wide development of safety measures.

The author, therefore, who essays a comprehensive study of the administration of workmen's compensation in the United States faces no light task. Evidently Mr. Dodd knew this for it is only after six years of investigation that the work is finished. It is a worthy volume and the publisher is justified in calling it a "well-rounded investigation and a penetrating analysis of the findings" and in saying that it "lays the foundation for improving administration" everywhere.

That there is a call for improvement this reviewer can attest who has had many years of experience in the

vari
has
but,
ther
insti
conv
less
the

T
type
men
adm
such
tivel
with
with
worl
cal,

It
subj
the
comp
whil
thoug
shoul

R
Secre
Com
Man
pense
York

How
Ca
H
19

W
that
which
that
ing t

various phases of the subject and who has the "feel" of it from the inside; but, improvement will be difficult for there is the inertia of the thing already instituted to overcome and minds to convince which are already more or less certain that they have achieved the best because it is their best.

This volume analyzes the various types of statutory provisions in workmen's compensation laws, indicates the administrative problems presented by such provisions, and discusses comparatively the methods employed in dealing with these problems. The study deals with all phases of the administration of workmen's compensation, legal, medical, and insurance.

It is a fair and valid outline of the subject. To those who undertake for the first time a view of workmen's compensation it is a treatise worth while; and, to the initiate it is a thought-provoking presentation that should provide a wide perspective.

*Reviewed by William C. Archer,
Secretary of the First Compensation
Commission, State of Ohio; General
Manager of the first Workmen's Com-
pensation Commission, State of New
York.*

How to Find and Follow Your Career. By William J. Reilly. Harper & Brothers, New York, 1936. 161 pages. \$1.75.

Written for that person who feels that he is unsuited to the work at which he is occupied, and who feels that he is being prevented from achieving the ambition most cherished in his

heart, this book gives some sound advice on the matter of persistence and of "kicking over the traces."

To not to do what you feel you should do, to keep on at the old job because of compulsion or routine or inertia, is to live in a more-dead-than-alive condition; you are similar to the frog, whose case the author cites: if you place him in a pan of water in room temperature, gradually increasing the temperature of the water to the boiling point, he will not jump out. He will be lulled into unconsciousness and boiled.

The analogy, the author believes, is not utterly foreign to many individuals. He advocates jumping out of the pan before the water gets too hot. His counsel will undoubtedly be helpful and encouraging to such persons. His approach to the problem is sensible. He advocates precise observations, accurate definitions, careful gathering and weighing of evidence.

Successful Direct-Mail Methods.

By John K. Crippen. McGraw-Hill Book Company, Inc., New York, 1936. 336 pages. \$3.50.

For several years I have searched for a good, comprehensive volume covering modern direct-mail methods. Mr. Crippen's book seems to be the answer.

Probably, more concerns today are devoting a great deal of attention to the personalized modern form letter than ever before. It seems fitting, therefore, that this author should begin his volume with "The Three Es-

sentials of a Modern Form Letter." As I read this chapter, I felt sure that for certain lines of service propositions, this volume should prove to be enlightening.

The author logically follows his first chapter with one on the "follow-up letter." Of course, it is difficult to lay down hard and fast rules for the various organizations that do use direct-mail methods. However, I feel that a follow-up letter or letters should be given as much attention as the first communication that is sent out. "Action Producers" are then covered to complete Part One.

"Accessories of The Direct-Mail Campaign" follow in Part Two. Numerous illustrations of reply forms, enclosures, and broadsides, etc., are given. However, the chapter on the use of the penny post-card in the advertising campaign is slightly narrow, I think. The use of this medium for various messages has become so widespread, not only for merchandise sales, etc., but for service propositions as well, that more space should have been given to it in a volume of this kind. Otherwise, it ably explains and illustrates prevailing successful methods for the use of this medium.

Part Three deals with the campaign itself. It opens with a chapter on the mailing list and gives a goodly number of sources of supply. This is followed by the "test mailing" campaign which I believe deserves most careful attention.

"Preparation for mailings" completes this volume with certain specific

information which should be uppermost in the mind of every executive responsible for a campaign, before he finally approves it.

In conclusion, this book paves the way to unsuspected sales volume through proper personalized direct-mail methods. Perhaps a little more space should have been given to stating the *objective* of a direct-mail campaign. No doubt Mr. Crippen, in a later revision, will add a chapter which will act as an *objective guide* to those who have an *idea* for a campaign but who seem to be unable to *define its objective*. Nevertheless, I consider this a worth-while volume and commend it to all those executives who believe that future larger sales volume will result from personalized direct-mail methods.

*Reviewed by Irving Edgar Chase,
Director, United States Secretarial
School, New York, New York.*

Private Group Retirement Plans.

By Birchard E. Wyatt. Graphic Arts Press, Inc., Washington, D. C., 1936. 145 pages. \$2.50.

The author outlines a method of establishing a satisfactory pension program and enumerates the various personnel problems which seem to necessitate such programs. In the interpretation of the rôle of private pension plans, the author discusses the practices adopted by insurance companies and trustees of self-administered plans, for the dovetailing of private plans with the Federal Social Security program.